

**CIVIL SOCIETY, DEMOCRACY  
AND MARKETS IN  
EAST CENTRAL EUROPE AND THE NIS:  
PROBLEMS AND PERSPECTIVES**



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**Briefing of the  
Commission on Security and Cooperation in Europe**

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**COMMISSION ON SECURITY AND COOPERATION IN EUROPE**  
**234 Ford House Office Building**  
**Washington, Dc 20515-6460**  
**(202) 225-1901**  
**csce@mail.house.gov**  
**Http://www.house.gov/csce/**

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## **ABOUT THE ORGANIZATION (OSCE)**

The Conference on Security and Cooperation in Europe, also known as the Helsinki process, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. Since then, its membership has expanded to 55, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia. (The Federal Republic of Yugoslavia, Serbia and Montenegro, has been suspended since 1992, leaving the number of countries fully participating at 54.) As of January 1, 1995, the formal name of the Helsinki process was changed to the Organization for Security and Cooperation in Europe (OSCE).

The OSCE is engaged in standard setting in fields including military security, economic and environmental cooperation, and human rights and humanitarian concerns. In addition, it undertakes a variety of preventive diplomacy initiatives designed to prevent, manage and resolve conflict within and among the participating States.

The OSCE has its main office in Vienna, Austria, where weekly meetings of permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations and periodic consultations among Senior Officials, Ministers and Heads of State or Government are held.

## **ABOUT THE COMMISSION (CSCE)**

The Commission on Security and Cooperation in Europe (CSCE), also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance with the agreements of the OSCE.

The Commission consists of nine members from the U.S. House of Representatives, nine members from the U.S. Senate, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair are shared by the House and Senate and rotate every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

To fulfill its mandate, the Commission gathers and disseminates information on Helsinki-related topics both to the U.S. Congress and the public by convening hearings, issuing reports reflecting the views of the Commission and/or its staff, and providing information about the activities of the Helsinki process and events in OSCE participating States.

At the same time, the Commission contributes its views to the general formulation of U.S. policy on the OSCE and takes part in its execution, including through Member and staff participation on U.S. Delegations to OSCE meetings as well as on certain OSCE bodies. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from OSCE participating States.

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**FEBRUARY 18, 1999**

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# CIVIL SOCIETY, DEMOCRACY AND MARKETS IN EAST CENTRAL EUROPE AND THE NIS: PROBLEMS AND PERSPECTIVES

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THURSDAY, FEBRUARY 18, 1999

COMMISSION ON SECURITY AND COOPERATION IN EUROPE,  
WASHINGTON, DC

The briefing convened in Room 2172, Rayburn House Office Building, Washington, DC, at 10:00 a.m., Ms. Dorothy Douglas Taft, Chief of Staff, moderating.

Ms. TAFT. Good morning. I again apologize for the delay in our getting started this morning. We now have our audio equipment functioning and can proceed.

On behalf of the Co-Chairmen of the Helsinki Commission, I want to welcome each of you to this briefing on Civil Society, Democracy and Markets in East-Central Europe and the NIS.

My name is Dorothy Taft, and I am the Chief of Staff for the Helsinki Commission. The House Co-Chairman is Congressman Christopher Smith, and the Senate Co-Chairman is Senator Ben Nighthorse Campbell.

Today's briefing and its title had been impelled by the just released book *Nations in Transit 1998*, a study and analysis of 25 post-Communist countries. A standardized overview of these 25 countries, all of which are now participating States of the Organization for Security and Cooperation in Europe, is very helpful to our mandate to monitor the compliance by OSCE countries to their Helsinki commitments.

Indicators such as a country's development of its political process, civil society, independent media, and rule of law track very closely with many of the OSCE commitments.

Here to discuss the document, to interpret some of the trends in the region, and to distill some of the insights provided in the tome, are three distinguished witnesses.

Our first witness, Adrian Karatnycky, is president of Freedom House, a non-partisan organization that promotes democracy, civil society, and the rule of law. He serves as coordinator of the annual global Survey of Freedom and is co-editor of *Nations in Transit 1998*.

Mr. Karatnycky has co-authored three books on Soviet and post-Soviet politics and appears frequently in the *Wall Street Journal*, the *Washington Post*, *Foreign Affairs*, the *Washington Times*, and other periodicals. Mr. Karatnycky was formerly Assistant to the President of the AFL-CIO.

Next we will have Professor Alexander Motyl, professor of political science at Rutgers University in New Jersey, and Deputy Director of the University's Center for Global Change and Governance.

Professor Motyl has authored and edited 10 books on Soviet and post-Soviet politics and history. Most significant for our briefing today is the fact that he was the coordinator of the

Freedom House Academic Review Board for the Nations in Transit survey, and is, as well, co-editor of *Nations in Transit*.

Our final presenter will be E. Wayne Merry, who in the fall completed a posting as the Senior Advisor at the Commission on Security and Cooperation in Europe—the Helsinki Commission—and who has just completed a long and distinguished career as a foreign service officer.

He served two tours at the U.S. Embassy in Moscow, where he worked on Soviet and Russian domestic political affairs. Mr. Merry has also served at U.S. Embassies in East Berlin and Athens, plus service at Main State in Washington. Additionally, he has worked at the Office of the Secretary of Defense as Regional Director for Russia, Ukraine, and Eurasia.

At the conclusion of the presentations this morning, we will open the floor to questions from the audience, and we welcome your participation.

First, I'll turn the microphone over to Mr. Karatnycky.

Mr. KARATNYCKY. Thank you. I am delighted to have the opportunity to talk a little about our findings, particularly in the environment of the Commission's work because, precisely as you mentioned, we are examining many of the indicators of democratic and civic life and respect for human rights and the rule of law that the Commission tracks; but equally, these objectives are a stated objective of U.S. and other international donor activity in the post-Communist world.

This report is supported with grants from the U.S. Agency for International Development, but it has been developed independently by Freedom House and by our academic experts and really reflects only the judgments of Freedom House and the research team.

It is used—and should be used—by people inside and outside the government as a basic overview of the trends and directions in democratic and economic reform in the post-Soviet space.

It is now 9 years since the fall of the Berlin Wall, and more than 7 years have passed since the failed August 1991 coup. This is an ample interval to take a hard look at the gains and reversals that have occurred in this expanse of countries, and really this is what our study attempts to do.

It is available, for those of you who are interested, through our website—which is [www.freedomhouse.org](http://www.freedomhouse.org)—and it can be read with an Adobe Acrobat reader—which also, if you don't have it installed on your computers, can be downloaded through that same site. It represents precisely the same data that are in the book.

The book is distributed to a limited degree to the U.S. Government and our main funding agency, U. S. AID, but also is made available to various Congressional staff and Congressional committees; and those have begun to be distributed. But those of you who want to access it—if you don't want to buy the commercial edition of this book— can go to our Website and download the analytic articles and the individual country reports.

The report covers a territory that is—as you are all well aware—rather extensive, populated by over 415 million people. We track 52 questions organized in the categories of political processes, civil society, independent media, the rule of law, governance and public administration (a new category we added to the 1998 report on corruption), macro-economic policy, micro-economic policy, and privatization.

We conduct these findings, often in collaboration with think tanks and research institutes, both in the United States and in the indigenous countries—in other words, we task

some of the reporting and writing to people overseas. The data is then reviewed and filled in, made more full by our core research staff, and reviewed by a distinguished board of scholars and experts. Alex Motyl can tell you more about those. But I want to focus my remarks on what the findings show.

The survey divides States into three broad categories—what we would call consolidated democracies and consolidated market economies; transitional polities and transitional economies; and consolidated, or autocratic, and statist systems.

The data reflect events through April of 1998 and show that seven countries are defined as consolidated democracies. They are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, and Slovenia.

There are 17 countries that are designated transitional polities and economies; and there are four countries that are, in our judgment, designated as consolidated autocracies and statist economies: Belarus, Tajikistan, Turkmenistan, and Uzbekistan.

With the exception of the Baltic states, none of the former Soviet Republics have established what we judge to be consolidated democracies or market economies. Eight of the post-Soviet states are transitional—eight of these non-Baltic post-Soviet states are transitional polities and four are consolidated autocracies and statist systems.

The situation is markedly different from the trends in Central and Eastern Europe. I think there is nothing surprising in seeing this kind of pattern, but I think I will talk a bit—and I think Alex will in his remarks also—about some of the factors that have influenced this state of affairs. Such factors include U.S. engagement in the region but also include historical legacies, cultural legacies, and the like.

The most important findings in the survey are that there is a strong correlation between economic reform and political reform. That is, contrary to some arguments, the States that have opened their political systems have also been able—despite, or maybe because of, the engagement of the public—to move forward with more rigorous economic reforms.

There had been arguments about the idea that maybe some of these systems would move more rapidly to adopt market systems if there were more authoritarian transitions. Indeed, the argument was made that if you have an active civil society—active trade unions, a public that can organize, and an electorate that can block the path of reform by electoral means—somehow that might slow the pace of economic reform.

The findings show exactly the opposite trend. Those societies that are more open to these kinds of civic influences tend to move more quickly toward reform. And two paths—the vector of fundamental economic reform and the vector of fundamental political reform—reinforce each other and go hand in hand.

Another finding in the data for 1998 was that there is a reasonably strong correlation between economic growth and political and economic reform.

For example, if you looked at the countries that were consolidated market democracies and looked at their average growth rates in 1997, these stood at 4.7 percent. The transitional countries represent a very broad expanse of experiences. For example, they include countries that have been moving forward with reforms and countries in which reform has stagnated or has been reversing, and they were in this middle area.

So you have very wide variations in this transitional category. You have growth—large growth for some countries—and some setbacks, but as a group they averaged a growth rate of only 1.39 percent.

Among the consolidated statist autocracies, the gross domestic product declined on an average of 2.85 percent in 1997, even though there had been a positive rate then recorded by Belarus; and that rate is subject to interpretation and question because the statistics in Belarus are not entirely reliable, and it is not a system that's based on a market evaluation of the values of goods and services.

We similarly found a fairly strong correlation between the corruption indicators and rates of growth—again with the countries that were judged to have a better record or a lower level of corruption—showing more significant growth than their more corrupt counterparts.

Now, in these statistics for 1997 and early 1998, we excluded Yugoslavia and Bosnia and Herzegovina, which were a part of the study. We did so because these were countries which were recovering either from periods of substantial impact of economic sanctions or substantial and protracted civil war and the rebuilding after civil war. So that the findings for growth rates would not be as significant or reliable with that as a benchmark.

We also found that there was very little forward significant reform momentum from the previous year. We had done this study before in 1997, and since that last report there are no new major entrants into the ranks of democratic states. However, we did identify that in the short and mid-term there was potential for significant reform momentum in Georgia, Bulgaria, Bosnia, Rumania and Slovakia.

I think that if we were doing this assessment right now, we probably would have graduated Slovakia into the ranks of the more consolidated and open systems.

In any event, we will try to talk a bit about reform trajectories and the like—and I hope that Alex can take a look at it—but I want to focus on the transitional countries.

We know there are a number of countries with authoritarian systems that are resistant to fundamental economic reform—what we call consolidated autocracies—and we also know there are a number of countries that have passed the threshold and seem to be irreversibly on the path of democratic institution building and of becoming a part of the community of open societies.

The real problem is represented by the middle range of countries: to what extent are the middle countries—the largest set of countries of about 17 in the study—really transitional countries; and to what extent do they have some of the characteristics of a fixed system which is midway between a market and a statist socialist system?

Again, I'll talk a bit about this; but before I do, I want to point to one remarkable thing that should be kept in mind in this transition. Of the 28 countries—we have expanded, actually, since this list; so we now are covering 28 countries—under examination, only 6 exist within the boundaries that they had in 1989.

Those are Albania, Bulgaria, Hungary, Mongolia, Poland, and Romania. So most of these States were shaping their identities on the basis of both substantially new boundaries as well as new institutional arrangements, and this is certainly a factor that we should consider as we take a look at the vectors of transition.

Again, this is more a topic for Alex's talk; but one of the factors in the report that is significant is that while the majority of states and the breakup of these systems—apart from the breakup of Yugoslavia—was not extremely violent, the majority of the post-Soviet states faced challenges to their internal territorial integrity from internal secessionist movements and secessionist sentiments which had regional concentrations.

Each of the Caucasus states—Georgia, Azerbaijan, and Armenia—faced some struggles

that emanated from these kinds of phenomena, either breakaway trends or irredentism, however you may want to define it. In any event, they were engulfed in conflicts that arose from separatist movements seeking to carve new territories.

Russia had the experience of Chechnya; Moldova or the Transdnistria Republic; Tajikistan had a civil war which had some regional rivalry and clan interests, if not purely ethnic division; and Ukraine faced a peaceful but potentially troubling problem in the predominantly Russian, ethnically Russian Crimean peninsula.

In any event, the question that I want to turn to is really this question of transition versus stagnation; and here, while *Nations in Transit* describes as transitional societies a very broad range of countries, there are countries which, in our view, are not registering forward reform momentum.

That is to say, they are not transitioning towards a more open system. They seem to be in this middle category. Russia is a paramount example of this type of country. Ukraine to some degree is another example. They merit particular attention partly because of their geographic and geopolitical weight.

While both have made some strides in privatizing state industries and bringing budgets into greater balance than in the past—although in Russia this may come undone in restraining inflation—compared to the periods of hyperinflation, and adopting some of the characteristics of a market system, they have failed, really, to create the basis for an entrepreneurial economy in which small business is a driving engine for political growth.

I think that if you look at the study and at some of the macro- and micro-economic indicators on the legal framework, there are some ways of getting at and thinking about these questions and looking at them on a comparative basis to see what successful countries have done to understand less successful experiments.

Certainly on the political side, we would not question that over the last 10 years—certainly since the Soviet period—Russia and Ukraine have made significant strides. Their citizens don't normally fear to express their political beliefs. Political parties and civic groups can freely organize and engage in the public square; and there are relatively open, competitive political processes and the like.

The press expresses a broad range of opinion, although the media are heavily dependent on commercial interests and partially on state patronage, but it would be still tempting to view these countries as being in the middle—at the midpoint—of an evolution towards a fully fledged democracy and market system.

I think that if you look more carefully, you might say that what is occurring in the system is that we see an emergence of a rather important role played by a financial industrial oligarchy which has been favored by the State or has been manipulating the State from within and also from without, and at the same time has been manipulated by the States—by each of these States, Russia and Ukraine—in their search for some kind of a social and economic base for rule, particularly in the face of hostile parliaments in which the left is powerful.

What is occurring in Russia and Ukraine is accompanied by something that very much resembles what Max Weber would refer to as the patrimonial state. Patrimonial systems are characterized by a state that dispenses licenses to insiders—authors, privileged and selectively applied subsidies, special favors and services, targeted tax amnesties—and exerts pressures on new economic actors and new competitors.

Because there is this kind of system, it is important for us to think about these countries not as simply in transition or on the path of instability. There is no reason to not believe that these systems can last and subsist and persist for a reasonably long time.

These patrimonial corporatist systems and regimes have survived for long periods, and there are cases of Latin American states—Brazil and Argentina from the Fifties to the mid-Eighties; more recently examples of Indonesia and Malaysia—which have some of the features of party controls: a local ruling elite (sometimes more tyrannical and more dictatorial, sometimes not), that restrains the growth of the private sector, acts in a way to favor insiders, and builds a crony system.

In the end, this kind of system may lead to change: and these are inefficient systems that impede change and, to some extent, some limited marketization opens up over time—the development of a private entrepreneurial class—and there may be discontent among workers and the like. Such patrimonial systems often evolve in a democratic direction, but they can persist for a fairly long time; and, frankly, western open economic systems can get along with them reasonably well—can trade with them, can transact business, and can eventually in climates of stability make reasonable profits.

In any event, I think that, in concluding, what I'd like to say is that our study suggests that we need to look very closely at the reform vectors and reform directions. We believe that ours is a useful tool in the shaping of appropriate policy responses by the U.S. Government and by other international donors.

In other words, if societies have lost their reform momentum, a different array of projects and programs may be called for and required to break that deadlock; but we also ought to be aware that not all of the assistance that is provided to unsuccessful transitions or stalled transitions or even the evolution of these new semi-permanent systems is money that has been wasted.

In the absence of intervention and engagement by the West, the unsuccessful outcomes could have been even more harmful than they have. I want to conclude with these remarks.

Ms. TAFT. Thank you very much. Next we will have Professor Motyl.

Professor MOTYL. Thank you. It's an honor and a pleasure to be here before this distinguished audience.

I take as my starting point Adrian's reference to the fact that a variety of stable systems has emerged within the post-Soviet context. I'd like to discuss briefly why that is the case and then suggest what some of the lessons and challenges are.

It is striking that clusters of countries with stable clusters of scores have emerged in the last 9 years. Since 1991 more or less all of the East-Central European States—Poland, The Czech Republic, Slovakia (with some exceptions), Hungary, Slovenia and the Baltic States—have been doing relatively well across the board.

Then there's the rest, which are not doing well across the board. That is to say, there is a geographic division as well as of countries, a syndrome of reform. Economic, political, social, and cultural reforms seem to be interrelated and mutually reinforcing.

Why has there been relatively insignificant change in the countries to the east of East-Central Europe? The standard response is that there has been a failure to reform; ineffective or incorrect policies have been adopted. But why have countries only to the east of the East-Central Europeans proven incapable of adopting correct policies? Although there has been a failure of vision and leadership, I submit to you that the problem is much deeper, having to

with the historical legacies that these countries inherited as they emerged from the Soviet bloc.

One such legacy is cultural. There is no question that the countries that are doing better, comparatively speaking, have some traditions of democratic as well as market-oriented culture.

Equally important are the institutional legacies, the institutional baggage that these countries inherited from their Soviet past. Here, the distinction between being part of the Soviet Union and not being part of the Soviet Union is critical.

The experience of 70 years of Soviet Communism was fundamentally different from that of the East-Central Europeans. Seventy years of totalitarian Communism destroyed the political elites, destroyed the cultural elites, destroyed the society, destroyed whatever markets existed, destroyed whatever civil society existed, and transformed whatever incipient political classes that these countries had into bureaucratic apparatchiks of the Communist party.

That was especially true further out in central Asia, but it was also very much true in Russia, Belarus, Ukraine, Moldova, and many of the other States. In contrast, Czechoslovakia, Poland, Hungary, even (to some extent) the Baltic States, were able to retain various more-or-less autonomous social structures, cultural and political structures, as well as some elements of markets.

They were called Socialist markets, but those Socialist markets were introduced in places like Poland and Hungary in the 1950s and 1960s, so that by the time they became independent 20 to 30 years later, there was already something resembling a market in place.

Poland had a vibrant Catholic church. Poland had a robust peasant class. None of that existed to the east. In Hungary, since 1968, with the introduction of the New Economic Mechanism by Janos Kadar, there was some private entrepreneurship.

These are fundamental differences, and I submit to you that they structured the playing field and determined the rules of the game after 1991.

As a result, the room for maneuver in the post-Soviet States was significantly narrower than in the East-Central European States. In that sense, the suggestion that Russia should have learned from Poland is quite irrelevant, because Poland was not like Russia.

That is not to say that marketization, democratization should not be pursued in the Soviet successor states. Of course, they should. It's just that the policies that are pursued in the former Soviet space should not be based on a one-size-fits-all kind of thinking.

This lesson holds for local elites as well as for the United States. Consider in this light lessons of the Russian fiasco. That one cannot build markets without some kind of established rule-of-law State should have been obvious 10 years ago. After all, how does one transform societies that lack the fundamental rules of the game that we take for granted in this country and which Poles, Hungarians, and Czechs, to a large degree, could have taken for granted even in 1989?

The state, the political arena, has to be defined. Rules of the game have to be defined. A certain kind of rule-of-law environment has to be created before these additional changes can be brought to fruition. This is not to say that one shouldn't pursue any changes but that attention must be paid to local conditions and that this process is obviously going to be long term.

That is another one of the sobering lessons of the Russian financial crisis. It's not going

to take 10 years. It might take several generations to transform these societies. It's unrealistic for us to think that we can in the next 5 or 10 years fundamentally transform Russia or Ukraine into flourishing democratic, market-oriented states. We cannot. We can push. We can pull. And they too must push and pull. Great leaps forward of the kind that we would like them to embark upon are unlikely to take place. There are, in sum, limits to what can be done.

What can we do? First and foremost, these countries dare not become isolated from the rest of the world. It is absolutely imperative that these countries not be bypassed by the processes of integration and globalization currently taking place within the world, that they not be left to a ghetto of their own.

Second, we can also affect the interstate relations between these countries, especially those between Russia and its neighbors. Our leverage is limited but not insignificant.

Both policy goals will face severe challenges in the near term. One such challenge is Russia. The possible emergence in Russia of a potentially aggressive Russian nationalism in combination with an authoritarian regime could destabilize Russian-non-Russian relations.

The European Union's expansion is another challenge. The central European States want to join by the year 2005 but in order to do so must transform their societies radically. Unfortunately, radical change can be destabilizing, and we have to be attentive to what radical reform will mean for Poland, Hungary, The Czech Republic, and others.

Finally, the expansion of the European Union to include the East-Central European States has the potential of creating another institutional boundary between the East—chaotic, corrupt, unstable—and the West—rich, prosperous, and stable. Such a division has the longer-term potential to undermine the stability of the East and the security of the West. Thank you.

MS. TAFT. Thank you very much. For some more reaction, we would invite Mr. Merry.

MR. MERRY. Thank you very much, Dorothy.

I would like to begin by heaping praise on the Freedom House report *Nations in Transit* both for the immense amount of effort that obviously went into it and for the gold mine of information which it contains, and then move immediately to a suggestion for how it might be made better and a suggestion which will certainly not be a novel one to its editors, which is that for most readers picking up this volume and turning to any particular country, what one would like to see is an introduction that synthesizes all the information contained in the very specific questions which the reports contain.

I know, having been an editor myself, that nothing could be a more contentious or difficult job for an editor than to reach agreement on a short statement for any country of "How am I doing and where are we going?" I make this suggestion, however, because my own memory of the shortcomings of U.S. Government intelligence and policy making during the 1980s—which led up to the end of the Cold War and the dramatic changes which took place in all of these countries—is that its greatest shortcoming was that it looked at different elements of society in isolation and failed to understand that in human organisms nothing is in isolation, and that changes which take place in one element of a society have a synergistic impact on everything else that goes on.

The United States Government was extremely well informed about every element of change within eastern Europe and the former Soviet Union and yet almost without exception failed to anticipate and sometimes even to credit—when they actually happened—the huge

changes which would come about, precisely because they failed to look at these things as part of a social whole.

It is the need to see that societies are organisms in which the whole is greater than the sum of the parts that is the essence of good analysis for where things went in these societies and where things are going now. It is trying to understand their momentum, whether for good or for ill, that I think is the real challenge for the observer and the analyst in the West.

I would also make a small suggestion that there is one country which is very near and dear to my heart which might be included in *Nations in Transit*—controversial though the suggestion would be—and that is Germany, because the incorporation of the former German Democratic Republic into a unified German state has proven a somewhat more challenging prospect than many people thought, not just economically, but also socially and politically.

In addition, the German State itself became sovereign and removed from all Allied authority only at the time of unification. Therefore, we are dealing in central Europe with a country which, while it is not in transition in the same way one could say for central Asia or the Caucasus, is nonetheless a new entity on the map of Europe.

What happened in 1991 was not just the disappearance from the map of the old GDR, but the disappearance of the old FRG as we knew it and the creation of a new and in some ways very different German state.

In looking at the process of democratization and building civil societies throughout all of this region, I think it's absolutely correct to say that there is no one-size-fits-all approach, that there is no one right way or model. As I have frequently advised people from that part of the world, the model they should be most cautious about emulating is the American, because the American developed in such an unusual and unique historical environment.

I believe firmly that any kind of growth of democratic institutions and civil society must develop roots which are organic to that society, that you cannot have an effective shock therapy for building democracy or rule of law.

I remember very well the late Russian historian, Dmitri Volkoganov, telling me in the early 1990s that the real problem is that there simply are not enough good people to go around. For the kind of challenges that these societies face, you need good people in politics, in law, in education, in the economy, in a host of areas; and there simply are not enough good people to go around.

The question then becomes: Do these good people, in whatever institution they work, become catalysts for further change or do they become sort of martyrs overwhelmed by the inertia of the bureaucratic and other structures they face?

I think there is good news if one looks a bit further afield. A country that strikes me as a good case study to look at is Portugal, which is now, I think, recognized as one of the most successful countries in western Europe; and yet a quarter of a century ago it was an imperial power bogged down in hopeless wars in Africa, an authoritarian state with huge violations of civil liberties and civil rights, and most people at that time would have said its future was a very dismal one indeed.

Yet it's a society which made some fundamental choices about where it wanted to go and what kind of place it wanted to be. A generation later, the success is there. It was a success which was heavily underwritten by its membership in the European Union, but I think the good news is that with the famous political will, societies can make huge changes within as little as a generation.

The bad news is that a generation is not a long time in the life of a nation. I think, if one looks at Poland, one has to see that the success that it has achieved in the last decade was built upon several previous decades of slow, difficult, and often bloody societal development which provided the soil in which this process of social change—which exploded under Solidarity—could take place. The notion that societies farther east can emulate that change in a short period of time, I think, is simply naive.

However, I also think we should try to get away from looking at the changes taking place in this part of the world in ideological terms. If a Rip Van Winkle went to sleep in 1899 and woke up this year and looked at a map of Eurasia, I think he would have no notion that there had ever been a thing called Marxism-Leninism or even fascism or even the Soviet Union.

What he would see would be the breakup of empires—not just the Soviet Russian empire, but a great many empires—and the dilemma that he would see facing Eurasia would be a problem which was very obvious 100 years ago—the growing development of romantic nationalism and the challenges which nationalism presents to the growth of democratic institutions: civil liberties, growth of a civil society, and particularly protection of minorities.

Those problems, which we see so obviously throughout much of the region today, were there 100 years ago; and in many ways I think the roots that we are looking at of these problems are ones that are often obscured if we look at them through the prism of the Cold War.

I think, in almost every case, what we are looking at is much more similar to the process of decolonialization which took place in the 1950s than it is an ideological question; and many of the same problems and challenges which have taken place throughout the world with the breakup of the Ottoman Empire, the Hapsburg Empire, British, French, Belgian empires, are playing out in eastern Europe and throughout the area of the former Soviet Union.

The good news is that none of the problems that these countries are facing is new or unique. The bad news is that the historical record shows that these problems will create new conflicts and new challenges for the outside world rather than developing in a relatively benign fashion.

I think a major fallacy of the United States approach to dealing with the end of the Cold War was to look back on our experience at the end of the Second World War and assume that we were facing the same kind of challenges, that we could do vis-a-vis the former Soviet empire what we had done in western Europe and Germany, in eastern Asia and Japan.

Despite the incredible naivete and arrogance of triumphalism which this reflects, what it failed to recognize was that not only did we not bring the same resources and authority, and not only did many of the countries in the former Soviet empire not have the same kind of historical experience which had been present in western Europe and even in eastern Asia, but that a key motivating factor was missing. As Napoleon said, there are only two levers which move human beings: fear and self-interest. In the aftermath of the Second World War, the key motivator was fear, the fear of the large domestic Communist movements backed up by an aggressive Soviet Union with the specter of the Red Army behind it.

It was only that motivator which moved the governing elites in western Europe and east Asia and elsewhere to make the kinds of reforms which the United States was demanding as a price for our assistance and particularly to engage in multilateral mechanisms of coopera-

tion rather than continuing the kind of individual beggar-thy-neighbor policies of the 1930s, which is what most of the governing elites in western Europe and east Asia wanted to do in the aftermath of the war.

Now, at the end of the Cold War, that motivating factor was almost completely missing. None of the countries that emerged from the breakup of the Soviet empire really faced much of a credible external threat, though some of them created internal threats as we've seen in the former Yugoslavia; and what most of the governing elites of these countries in transition were most concerned with was self-interest with a heavy emphasis on self. The policies of the western countries, the western financial institutions and the United States, had an unfortunate tendency to reinforce that selfishness by our belief that development of market economies would automatically produce development of civil societies.

Now, I certainly recognize that there's a high degree of correlation between the two, but the direction of causality, it seems to me, is not quite so clear. I believe the direction of causality is bilateral, that the two tend to reinforce each other; but it was, unfortunately, the approach that we brought as a government that development of rule of law, civil institutions and civil liberties were the "soft" issues which would solve themselves, more or less, after the "hard" issues of economic and market reform had been dealt with.

It is my experience, however, that most western businessmen and investors, when they complain about their operations in these countries, complain about things which fall under the rubric of rule-of-law. Most western businesses are quite capable of dealing with an outmoded industrial plant, with poor infrastructure, with workers who don't understand technology. They understand how to deal with this. The problems they complain about are lack of contractual relationships, capricious taxation systems, crime and corruption—all rule-of-law issues.

The unfortunate result of our encouragement in many of these countries of the development of what has appropriately been called crony capitalism is a cost that is much greater than just the money. It has cost the prestige and authority of western approaches in many of these societies. It has reversed the progress of growth of democratic institutions and civil society in many of these societies; and, in the more extreme cases, it has produced a situation in which societal change has deteriorated where the whole is now less than the sum of the parts.

Now, I think we have to recognize that the challenges to rule-of-law and democratic institutions in much of this region—particularly in the former Soviet Union—will get worse rather than better, both because of internal and external problems.

First, many of these regimes now feel themselves established and no longer feel compelled to assuage western concerns about civil liberties and human rights. At the outset of their independence, many of these governments signed a variety of international commitments quite literally without reading them and certainly with no intention of carrying them out. However, as we can see by a series of recent electoral farces, crackdowns on civil liberties, and the growth of merely the facades of democracies, what is developing in a number of countries is not so much a replication of the old Soviet system as replication of what in Africa is known as a "Big Man" regime.

There is nothing new or unusual about this; but we have to recognize that that's what it is and that a quest for the rather will-o'-the-wisp stability—which policy makers often feel is the basis for an effective policy—simply tends to encourage the growth and development of

the kind of regimes which we have seen too often in the Third World and is almost a guaranty for a failure of all aspects of society, particularly democratic institutions.

I think recent events, particularly in Uzbekistan as a good case, show there is a great deal of underlying fragility and brittleness in many of these societies. This is partly related to their failure to deliver the economic goods that were promised at the time of independence. Many of these countries have shown the same kinds of shortcomings and failures in their economic structures as had the old Soviet Union; and since many of these peoples opted for independence precisely because of the failures of the Soviet economy, why should there be any sense of societal loyalty to a regime which has merely transformed the kind of political repression under which people lived and delivered nothing better on the economic side? This will, obviously, lead regimes to seek villains and scapegoats, both at home and abroad, and to increase their repression.

Finally, I think we have to recognize that the borders which emerged from the breakup of the Soviet empire are not likely to remain for very long. I think I can say this with absolute confidence, because every imperial structure which has broken up in the last 200 years has produced a series of regional conflicts and changes of borders. We could only imagine this would not happen in this region if we would expect a much higher level of statesmanship and political leadership than has been the case anywhere else in the world.

Also, I think we have to recognize that, in much of the region we're talking about, there are things that are worth fighting for, particularly natural resources, and there are leaderships which are quite eager to fight not just for these tangible benefits but also for the achievement of national greatness, regional hegemony, and the establishment in some cases of dynastic power structures. This has been, to some degree, encouraged by the West which has fed the self-perception of some of these regimes of this greatness.

There will be outside participants in this process. Russia is, obviously, one of them but by no means the only one. Turkey and Iran, Pakistan and India, China and Japan will also contribute to this process, and I'm not sure that very many of them will place civil liberties and human rights issues very high on their agenda.

The United States, of course, is also a player but not necessarily a benign one. Unfortunately, we have tended—as we did in much of the Third World in the post-colonial period—to place a very low emphasis on the development of civil institutions and rule of law, giving much more attention to our quest for stability and to issues such as security and economic change.

We have also not learned that in the area of defense and military cooperation it is much easier to supply weapons and training than it is to achieve a common agenda. You would think that this is one area in which we would have learned from our failures in the Third World, but we have not.

One need only look at the fiasco of our policy in Albania—which was referred to in the Pentagon as the “poster child” of U.S. defense—and military cooperation in the Balkans until the time when our assistance contributed to and helped make worse the civil collapse which took place in that country.

Certainly, the very first victims of any regime's quest for national greatness, expansion, and empire will be democracy, rule of law, and civil liberties. I think if there is any lesson that the United States should learn from this, it's that these so-called “soft” issues—civil liberties, democratic institutions, rule of law—are in fact the real core upon which any long-

term policy of self-interest should be based.

After all, of the 3 so-called baskets within the Helsinki Final Act, which was the one which provided the actual basis for long-term change? It was the human rights basket, not the economic or the security basket. I think if we look back on that experience, we can see where our own self-interest lies.

Ms. TAFT. Thank you very much for that detailed response and analysis.

Before we turn to the audience for questions—which I’m sure you’ve been formulating during this time of presentation—we do have some reaction from our other panelists. We’ll hear their reaction; then we’ll turn to our audience.

Mr. KARATNYCKY. Well, I have the advantage of being in fundamental agreement with the other speakers, but I did want to point to a couple of issues in both presentations where I might want to highlight a couple of different aspects.

The first is—and I know that this wasn’t the impression that Alex intended to make—that historical and cultural legacies are important, but they are not iron laws, so to speak. Such legacies don’t determine these kinds of outcomes, and there could have been a different evolution.

I think that one of the factors that also contributed to this course of events was not a distant historical legacy but a more recent legacy, i.e., how the reform processes began. In eastern Europe, East-Central Europe, change was initially stage-managed by the governing elite; but then power very quickly transferred into the hands of the opposition, and true opposition and anti-communist forces came into power and ruled.

After a while, they implemented fundamental reforms, and some of these leaders were tossed out of office; but they were really tossed out of office usually by ex-communists who were playing by the democratic political rules, and then the reformers came back again into power through the democratic process.

In many of the former Soviet bloc countries—and certainly in the case of Yugoslavia, Serbia, and Montenegro—that kind of transition never occurred. In the best cases you had semi-reformists from the old political elite who used nationalist slogans to consolidate their own power, sometimes in coalition with a group of democratic reformers; but you never had the rise of a civil society or the degree of civic activism that you saw in the East-Central countries. Of course, some of this is traced to the historical legacies. But I think in part it was a matter of how this process played itself out.

The second issue is the emphasis on rule of law, but also the emphasis on crime and corruption as part of the business environment. It is absolutely an important emphasis that was considered perhaps neglected. On the other hand, there are mid-course corrections that policy makers often make, and sometimes they too can lead to unintended consequences.

Let me give you an example. Many of the current anti-corruption campaigns being waged in the former Soviet bloc are basically attempts to get at the political enemies of a governing elite. And we really have to track our encouragement of anti-corruption efforts to ensure that they not be limited exclusively to the settling of scores of political opponents and to the consolidation of power.

The second thing is to keep in mind in these anti-corruption efforts: who is it that comes to the fore, or who makes the case for playing a more important role in the political system? It seems to me that the national security apparatus of the old security state resurfaces.

So, today, there is a new emphasis on combatting corruption in Russia. And we see that

it's not only Primakov who had a close relationship with the security apparatus of the Soviet period, but his chief of staff is a former high ranking officer of foreign intelligence—as is Yeltsin's chief of staff, Yeltsin's deputy chief of staff in charge of personnel, the head of a major Russian news program on Russian television, head of Radio Rossiya, the head of ITAR-TASS, the press secretary of Mr. Maslyukov, and the head of the Russian arms exporting agency.

It seems to me there are internal cultures and legacies within this system that preserve some cohesiveness. In other words, we have some industrial elites, some political networks, some regional elites; but we also have other systems, relationships, networks that exist, and we have to be very mindful that a new emphasis on addressing different types of problems should not give encouragement and reawaken the power of these types of forces within those societies.

Finally, I would say that the one thing that I hope comes out of this study is that despite many difficulties in the reform trajectories that have been discussed here and the reasons for the problems, that it is still infinitely easier to think about pushing these countries and urging transitions towards greater openness in this condition of greater dispersal of power within a more pluralistic system relative to the old totalitarian model.

In other words, the half-life of semi-open societies is shorter than the half-life of fully authoritarian and compact dictatorships. So despite all the emphasis on the many problems and the failures of reform, and despite the fact that, I think, some of these systems can muddle along for a fairly long period, they offer—you know, within the boundaries that these systems imposed, whether they are more or less authoritarian, more or less closed, they nevertheless have some space for civic life, some space for private commercial life.

That, I think, speeds up the prospect of their eventual transformation.

Ms. TAFT. Okay, thank you very much. We will have our—Oh, you wanted to respond?

Professor MOTYL. A number of fascinating points have been raised, and I would like to comment on a number of them.

Wayne mentioned the notion of imperial collapse and that this is an appropriate framework for viewing events in the former Soviet Union. I couldn't agree more. We can learn a lot by comparing these countries with past experiences in Africa and Asia. But the Soviet Union was a unique empire. It was imperial, but it was also communist. In contrast to just about every other society that emerged from empire in the past, the Soviet republics did not just lack state administrations and bureaucracies—African and Asian states lacked those, too—did not just lack elites—the Africans did, too—but they lacked autonomous cultures. They lacked civil societies of any kind. They lacked market-oriented structures.

The challenges facing the former Soviet republics were in some ways fundamentally more problematic than those facing African and Asian states. That gives us, I think, reason to think twice about the ease of the transition.

Wayne's point about nationalism is also very important. But it's not just that nationalism poses challenges for civil society and democracy. Democracy actually promotes national identity and nationalism. Stable countries with functioning economic and political systems can direct this process into more or less constructive channels. In countries that are weak, however, nationalism can pose a challenge to democracy; but the introduction of democratic procedures can facilitate the development of even more nationalism.

Adrian's comment is very well taken. One of the fundamental challenges facing the

former Soviet states stems from the fact that they emerged in a process that was remarkably peaceful. That is the good news. That is also the bad news, to use Wayne's terminology here. When systems break down, when they collapse, when mass disturbances of one kind or other take place or, for that matter, when wars occur, that has one salutary consequence. It gets rid of the bad guys.

Social mobilization enabled East-Central European elites to remove communists from the political arena. In contrast, the Ukrainians and Russians had little choice but to incorporate communists.

Ms. TAFT. Thank you. We'll begin here with our first question. If you don't mind, use the microphone there so that our transcriber can record it; and if you could identify yourself, that would be helpful.

QUESTIONER. I'm Dick Murphy with the Center for Strategic and International Studies.

My question, I guess, is as much of an observation as a question. But the presentations, I think, make the point—particularly Alex's presentation—that you're dealing with different mindsets and, particularly in the former Soviet Union, quite different mindsets, which we have to take into account in promoting the efforts toward reform.

We have a problem ourselves in the United States. We have a mindset which is a problem, and that is we Americans are an impatient, results-oriented lot; and we tend to look at things through the analogy of sports—winners and losers, you know. We want results, and we want them fast.

Here, we are dealing with a situation which has been pointed out as going to take a generation or many generations before you really see the fruits of progress.

My question is: How do we change our own mindset? For example, the Clinton administration has had a proclivity in foreign policy for looking for successes. Russia was going to be one of those successes, I remember. Haiti was another one. We don't hear much about that anymore. I don't mean to single out the Clinton administration necessarily, because it's a reflection of our own impatient desire for concrete results quickly. How do we address our own mindset? What can we do to change our own outlook towards this area and what we're trying to achieve there?

Mr. KARATNYCKY. Before I turn it over to you, I wanted to say that we are not just results-driven in declaring and seeking successes; but we are also very results-driven in seeking failures.

I think that one of the points is that there may be some countries in which the environment looks very unstable, and there may be some geopolitical reasons or economic reasons to be involved in some limited relationship with those countries that have ossified and are the most resistant to change; but I would argue that there is a broad array of countries somewhere in the middle where some substantial engagement over the long term is not an evidence of failure but evidence of an objective condition, and it's not a question of evading responsibility for a rapid success model.

There are, after all, many historical legacies, political legacies, internal ethnic and other legacies within these countries that mean that our engagement should be focused on the long term and that the policy community ought not to equate a long-term relationship with failure.

So the search not only for successes should be shunned, but the search for rapid failures should be shunned as well.

Professor MOTYL. Mindsets, like political cultures, generally take generations to change if nothing intervenes; and if something intervenes—that is to say, a genuine crisis or a failure—then confidence is shaken. Nothing succeeds like success, but nothing fails like failure. The mindset you described has been shaken in a very fundamental way by the events of August 1998 in Russia.

There is something like an epiphany in the process of unfolding. Lightning is striking slowly—perhaps too slowly, but it’s striking, nonetheless. There is surely a growing appreciation that things are difficult and that there are no easy answers. That’s only the start of the rethinking process.

We have no choice but to shift because, for better or for worse, this country has defined Russia as its problem. And there is no alternative to facing the fact that the 1998 fiasco in Russia represents a policy failure on our part.

In this regard, I’m hopeful. I’m beginning to see a shift that leads me to think that more long-term policies will be adopted, that we’ll begin to see things in their larger context and complexity.

Ms. TAFT. Thank you. Mr. Merry.

Mr. MERRY. Well, the American government will always be American, which means it will always attract people who are energetic, results-oriented, and filled with good intentions; and that’s a fearsome combination, when you export it to the outside world.

I would identify a different concern, which is the unending fallacy that whatever situation we’re dealing with is sort of the end of the road of change and that, therefore, our current agenda is the agenda we will be dealing with in the future.

You simply have to think back 12-15 years when most of official Washington not only didn’t recognize what was going to happen in eastern Europe and the former Soviet Union but didn’t want it to happen. Washington was not only extremely resistant to understanding these processes of change. The idea that these changes would take place was repugnant to all except a very, very small minority of people in this city.

The notion that somehow any of these changes were the result of CIA activities or plots or American conspiracies is nonsense. If the U.S. Government was trying to do anything, it was to slow down the processes of change; and when people of their own volition tore down the Berlin Wall and starting tearing apart these imperial structures, the response in Washington was not one of great satisfaction. The response was one of very, very great unhappiness that stability was not being preserved.

The concern I would identify is that, again today, people keep saying that what we want is stability, stability, stability. In human affairs, stability exists only in the grave. The whole process of the world in which we live is that things are continually in change. Is this true anywhere more than in our own society, for heaven’s sake? But this sort of bitch goddess of stability that you hear from press spokesmen from the State Department and other parts of the U.S. Government basically means that people don’t want the normal processes of change to take place.

The part of the world we’re discussing is in the infancy of its post-communist, post-Soviet, post-imperial change. We’re only in the very early phase, and a lot more is going to happen. Some of it is going to be good. A lot of it is going to be bad.

The borders that we see on the map of Eurasia today will be there—most of them will be there—for a while. Some of them are going to change, because that’s simply the nature of the

human experience. I would say that the real problem with American policy is that it assumes that our agenda is the agenda for other governments and other peoples, and it ain't necessarily so.

QUESTIONER. I realize that the—

MS. TAFT. Would you identify yourself, please?

QUESTIONER. Yaro Bihun from the BBC. I realize that the Secretary has yet to make her announcement concerning the certification of Ukraine, but what I ask each of the panelists to comment upon, whichever way the announcement goes, how that fits into what you have been saying today about the transitional democracies and the region.

MR. KARATNYCKY. In any relationship and in any calculation in which the United States is involved and that involves a country as strategically important as Ukraine, there are both objectives of promoting internal reform and an understanding of how that reform unfolds within the geopolitical context. Ukraine is subject to a certification of whether it has made some progress in establishing a more equitable business environment and enforcing more of what Wayne Merry has referred to as the rule of law in a business setting; and part of this process involves looking at how Ukraine is treating U.S. investors within the country and enforcing contracts and their right to reasonable and fair competition.

If the Secretary certifies that Ukraine has made significant progress, the amount of foreign aid will be twice what it would if she were not to make that certification. That certification is due today.

In my own view, this is a laudable way of trying to nudge the Ukrainian Government and to use these economic means to press the Ukrainian Government towards more fundamental economic reform and a more equitable system.

On the other hand, this process has led to some limited movement, as I understand it, on the part of the Ukrainian Government to respond to this kind of pressure. So it's already had a limited effect. It probably hasn't had the kind of effect, dramatic effect, that the authors of the legislation would have liked. Nevertheless, this decision is also unfolding in the other context, not just in the context of trying to promote best practices in Ukraine, but also trying to view Ukraine's place in the geopolitical environment.

We had in December 1998 the establishment of the first steps of a treaty to create a confederation between Belarus and Russia. Unlike the earlier attempts, this attempt has some legs. That is to say, there is more support across the board within the ruling elite in Russia, particularly since most of the economic reformers who objected on economic grounds to an earlier such attempt at confederation have passed from the scene.

Within the Russian political elite, this is viewed as the first step towards at least an ingathering of the Slavic core. Many of the Russian institutions—including the Russian Defense and Foreign Policy Council, a small semi-official think tank, certainly one that represents a broad spectrum of the political elite—have viewed the integration of Belarus as the first step to exert greater pressure on Ukraine to integrate.

It seems to me that part of the calculus of deciding on what kind of an aid package to present to Ukraine must be taken within this context. The cutting back of funding for Ukraine can be perceived, both by Ukrainians themselves and by the Russians, as a drawing back of the relationship between the United States and Ukraine.

In a context where there is going to be intense and intensifying pressure on Ukraine to join first some inter-parliamentary structures and then some broader political structures

leading towards eventual confederation, this should be also seen in this broader geopolitical context.

So while I have no direct sense of how the Secretary will act, it would seem to me that it would be advisable in this context, particularly in this year where there is this momentum towards integration and Slavic integration, that we not scale back our relationship and our aid relationship with Ukraine.

Ms. TAFT. Mr. Merry.

Mr. MERRY. I would note that congressionally-mandated certification requirements create two challenges, one for the governments concerned but the other for American bureaucrats to fashion words to rationalize whatever outcome the administration wants to produce. I myself have participated in some fairly elaborate circumlocutions to meet Congressional certification requirements.

I think in the case of Ukraine, the utility of this exercise may be more a psychological-political one than a tangible economic or financial one, in trying to get authorities in Kiev to stop believing their press notices.

A failure of U.S. policy towards Ukraine was that we told them that we loved them and how important they were, to such an extent that they came to believe there would be no real sanction for failure to implement serious structural and other reforms, and a belief that, since they were so important that, therefore, the West would bail them out almost regardless of what policies they conducted.

I think it's high time for Ukraine to understand that it's a big world out there, and they are only one country of many that are on our agenda; and they at the moment get a lot less attention in Washington than do somewhat larger economies like Brazil and South Korea.

I think, if anything, this certification exercise, hopefully, will communicate to people in Kiev that their problems are, first and foremost, theirs; and the outside world simply will not and cannot support them if they will not make the changes that are necessary in their own self-interest.

Ms. TAFT. And Professor Motyl.

Professor MOTYL. I don't think anyone should have any illusions that most of the former Soviet republics will be able to do what we want them to do. If that's the requirement of certification, then we may as well just close shop and go home.

The larger issue, which I alluded to in my presentation, is whether we want these countries—and here I mean not just Ukraine, but all of them in general—to be more or less integrated into international, global and west European, and other kinds of structures and institutions or whether we don't want that and are willing to accept the consequences.

If Wayne is right in painting the relatively dark picture that he painted, then I submit to you that it will be even darker if these countries are not integrated, however minimally, in such structures. The point then is to see the problem of certification within the larger context. That's the choice facing this country.

Ms. TAFT. Thank you very much. Do we have other questions from the audience? Yes, sir?

QUESTIONER. John Karch, Slovak League of America. I have not read your report, but I have heard you. It is both depressing and encouraging—encouraging in the sense that there is, obviously, recognition by all of you that we are impatient with the changes in Central-Eastern Europe and farther east, that we insist on changes, reforms, as in baseball, basket-

ball and football, to have results quickly; recognition, however, by you that these are historical problems. They are not easily solved.

It should be a long-term commitment. Encouraging that the United States is there. It has taken leadership in NATO enlargement, in the reforms in various programs.

There are weaknesses in our programs, and discouraging, depressing from my long—decades long—experience in the United States (I was with the U.S. Information Agency for decades and Foreign Service as well) that we are going to do very little about this.

We have the media here, and yet what do we see in our newspapers, on our television and radio? Precious little about these things. There is such little understanding by the American public about these issues, very serious issues that you have raised, and it is in the U.S. national interest.

This is made quite clear by everybody, that we should be involved. There should be changes. We should give assistance, and we are graduating out countries that desperately need help in a few years. That is the depressing part. Please comment on these things.

Mr. KARATNYCKY. Well, I would argue that it does make sense to graduate certain countries that have made rudimentary changes. On the other hand, I don't think it makes sense to block a relationship with a civil society, with the independent media, with the architecture of democratic discourse, with education systems and the like. Those kinds of changes take a lot more time to percolate through systems, even if you establish a reasonable private sector best-practices and a favorable macro- and micro-economic environment.

I would say that—and I think that there is a framework in which American foreign policy is shaped. It does involve, to some degree, public sentiments and public attitudes, and I think that this effort to graduate is not just a rush to judgment. It's also to respond to the American public that we are not infinite, that we are not involved eternally with particular countries as our natural dependence, economic dependence.

I think that is an attractive thing and ought to be preserved within the U.S. foreign aid and donor strategies. On the other hand, we ought not to prematurely declare victories in countries where those transitions are not, by the judgment of many people, durable.

I would say that Slovakia is a country that has made very many major steps towards a fundamental transition. I think it's still—You know, it may be a question of how durable those changes are. I would argue that they are pretty durable, that civil society is pretty robust in that country, that there is a fairly assertive and reasonably objective media (some of it party oriented); but in general Slovakia had all the infrastructure to make this kind of a leap.

I don't think that it is unusual after a period of time for the U.S. to decide on an exit strategy for a major commitment to that kind of a country, providing—for that kind of a successful transition, providing—that it retains some residual resources and that those are mainly concentrated on what Wayne has referred to as the “soft” issues but which really are the fundamental issues that make all these other dimensions of our transition efforts work.

Mr. MERRY. Despite my own long personal and professional involvement with this part of the world, I would be very cautious about how much the American voter and taxpayer should be expected either to know or to care or to contribute to the developments in these countries.

The world is a very big place. There are a lot of parts of the world where there are people in much greater need of American assistance than in this part. Most of this part of the world,

Eurasia, has ample resources to take care of its own requirements, if the countries, the governments, choose to do so.

I think, for the most part, American assistance should get away from the big-money type activities. I think that there's a great deal that we can do in encouraging democratic institution building, rule of law, developing civil society, for very, very modest sums of money, and that beyond that the major contribution our country can make is to give these countries normal trading relationships and to try to bring them into the first world economy and help their transition out of the second world economy.

I think the experience of the United States—not just in the last few years in the former Communist states but in the past half century in many of the former colonial states around the world—should give us a great deal of caution.

I think almost anyone who has ever dealt in detail with an American assistance program in any foreign country comes away from the experience, hopefully, at least humbled, if not even more motivated to caution.

I would repeat something I referred to before. I think if there is any one area where the United States should show very great caution, it is in the development of military relationships with many of these countries where we are helping to build up capabilities and institutions over which we will be able to exercise no control whatsoever.

It's not just the internal problems that these can create, as we saw most dramatically in Albania, but what happens when governments start looking outside their own borders. This is a situation in which we could find out that our agenda is not their agenda and that, once we have made a contribution to their capabilities, we will frequently create more problems than we help to solve.

Professor MOTYL. Wayne mentioned a very important point, namely, normal trading relationships. Rather than thinking in terms of providing aid and assistance and shifting money from here to there, we should be putting our money where our mouths are. We talk of liberalizing trade. We talk of globalization. And East Europeans—here, I mean the East-Central Europeans plus most of the states of the former Soviet Union—do not have access to west European and American markets for the things that they can actually sell.

The common agricultural policy in the European Union is a major barrier to the Hungarians, the Poles, the Czechs, not to speak of the Ukrainians and Russians and others. These countries also produce steel cheaply. They're not dumping steel on west European and American markets—not if you're earning ten dollars a month. Nevertheless, anti-dumping procedures have been initiated against Russian and Ukrainian steel. Opening Western markets would be an important way of promoting genuine economic change of promoting entrepreneurship and markets. Force these people to compete on the market by embracing them, not by keeping them out.

Ms. TAFT. Thank you very much.

To bring our morning briefing to a close, I want to thank each of you for attending this morning.

I particularly want to commend Freedom House for taking on the challenge of producing such a survey and analyzing all the various countries. I want to express appreciation especially to you three gentlemen for the time you took to prepare for your presentations and to be here this morning. So thank you very much.

[Whereupon the briefing concluded at 11:55 a.m.]

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